Commodity Briefs

Jack Harrison

Field Crops

Sharp Rise in U.S. Soybean Acreage Planted for 1997

U.S. soybean acreage planted in 1997 is the largest in 15 years and the third highest on record, according to USDA's *Acreage* report released June 30. Moreover, it marks the first time that U.S. soybean planted acreage has surpassed wheat plantings. The estimate for 1997 soybean plantings is 70.9 million acres, 10 percent above last year. Farmers are expected to harvest 69.8 million acres of soybeans and produce a record 2.69 billion bushels.

The *Acreage* report—based on a survey of planted acreage conducted during the first 2 weeks of June—represents the first estimate of U.S. planted and harvested field crop acreage. It provides a more accurate estimate of crop plantings than the March 31 *Prospective Plantings* report, which was based on a survey of farmers' spring planting intentions rather than on actual plantings.

Of the 29 *soybean* producing states, all but one had higher estimated acreage than last year. Iowa expanded soybean plantings by an estimated 1 million acres, while Minnesota followed closely with an 850,000-acre, year-to-year increase.

Favorable weather at planting allowed midwestern farmers to complete corn seedings ahead of normal and thereby plant soybeans sooner. The acreage increase was also facilitated by the 1996 Farm Act, which eliminated most acreage restrictions—producers participating in farm programs are no longer tied to base requirements for a specific program crop or limited by annual acreage reduction program requirements.

The new soybean planting estimate is 3 percent higher than the *Prospective Plantings* level and is a reaction to robust soybean prices. Soybean prices rose for several months, before release of the June 30 *Acreage* report which indicated the potential for a record U.S. crop. New-crop soybean futures prices then dropped precipitously. New-crop prices between now and harvest will depend on weather and crop conditions.

In contrast, prices for old-crop soybeans are higher, reflecting strength in domestic and foreign demand and a tightening of stocks. Ending stocks for the 1996/97 September-August crop year are projected at 125 million bushels, with a 5.1-percent stocks-to-use ratio, the lowest ratio since 1972/73. As a result of short supplies, some soybean imports from Brazil are expected.

Corn plantings also increased in 1997, to an estimated 80.2 million acres, up 1 percent from last year and the highest planted corn acreage since 1985. Corn acres harvested for grain are expected to increase to an estimated 74 million, also up 1 percent from 1996. The *Prospective Plantings* report had indicated corn plantings of 81.4 million acres in 1997; the lower actual acreage is likely due to larger soybean plantings.

U.S. Field Crops—Market Outlook

	Area								
	Planted	Harvested	Yield	Output	Total supply	Domestic use	Exports	Ending stocks	Farm price
	—Mil. acres—		*Bu./acre*	*Mil. bu.*					*$/bu.*
Wheat									
1996/97	75.6	62.9	36.3	2,282	2,748	1,309	995	444	4.35
1997/98	70.8	63.5	38.3	2,431	2,975	1,275	1,050	650	3.10-3.70
Corn									
1996/97	79.5	73.1	127.1	9,293	9,731	6,990	1,825	916	2.70
1997/98	80.2	74.0	131.0	9,700	10,626	7,380	2,050	1,196	2.30-2.70
Sorghum									
1996/97	13.2	11.9	67.5	803	821	565	210	46	2.33
1997/98	10.3	9.5	67.6	643	689	410	200	79	2.05-2.45
Barley									
1996/97	7.2	6.8	58.5	397	533	392	31	110	2.75
1997/98	6.8	6.4	58.1	372	522	417	35	70	2.15-2.55
Oats									
1996/97	4.7	2.7	57.8	155	322	252	3	67	1.95
1997/98	5.3	3.2	56.7	183	349	280	3	66	1.40-1.80
Soybeans									
1996/97	64.2	63.4	37.6	2,382	2,586	1,571	890	125	7.35
1997/98	70.9	69.8	38.5	2,690	2,820	1,605	930	285	5.40-6.60
			Lbs./acre	*Mil. cwt (rough equiv.)*					*$/cwt*
Rice									
1996/97	2.82	2.80	6,121	171.3	207.4	106.5	77.0	23.9	9.90
1997/98	3.07	3.04	5,795	176.0	210.9	108.4	79.0	23.5	9.00-10.00
			Lbs./acre	*Mil. bales*					*c/lb.*
Cotton									
1996/97	14.6	12.9	707	18.9	22.0	10.9	7.1	4.1	69.4
1997/98	14.0	12.9	670	18.0	22.1	11.0	7.1	4.0	*

Based on July 11, 1997 *World Agricultural Supply and Demand Estimates.*
*USDA is prohibited from publishing cotton price projections.
See table 17 for complete definition of terms and data for prior years.

Economic Research Service, USDA

Commodity Briefs

Acreage Up Sharply for Soybeans, Slightly for Corn

	1996 acreage			1997 acreage		
	Prospective	Planted	Harvested	Prospective	Planted	Harvested
	Million acres					
Corn	79.9	79.5	73.1	81.4	80.2	74.0
Soybeans	62.5	64.2	63.4	68.8	70.9	69.8
Wheat	73.1	75.6	62.9	69.2	70.8	63.5
Sorghum	10.6	13.2	11.9	10.9	10.3	9.5
Barley	7.2	7.2	6.8	7.0	6.8	6.4
Oats	5.3	4.7	2.7	5.3	5.3	3.2
Rice	3.0	2.8	2.8	2.9	3.1	3.0
Cotton	15.2	14.7	12.8	14.5	14.0	NA

1997 harvested acreage forecast.
NA = Not available. The June *Acreage* report does not estimate cotton harvested acreage.
Economic Research Service, USDA

Among Corn Belt states, Ohio showed the largest increase in 1997 corn acreage—700,000 acres—as farmers returned to normal planting levels. Substantial switching of corn acres to soybeans had occurred in 1995 and 1996 because of excessive spring moisture that delayed planting. In both Iowa and Minnesota, corn plantings declined by an estimated 500,000 acres in 1997, and by lesser amounts in several southern states as farmers shifted from corn to soybeans.

Despite a cool spring that delayed plant development, warmer weather in June has boosted corn growth throughout the Corn Belt. At the end of June, USDA reported that 74 percent of the nation's corn crop was in good or excellent condition.

Sorghum plantings dropped significantly in 1997 to an estimated 10.3 million acres, down 22 percent from 1996. Acreage is down in every state except North Carolina, South Dakota, Oklahoma, and Georgia. The largest declines occurred in Kansas and Texas, following a large rise in sorghum acres last year as sorghum was planted on wheat and cotton acres that had failed because of drought in the Southern Plains. In South Dakota, plantings were up 17 percent from 1996, as sorghum was planted on winter wheat acres abandoned due to winterkill.

Barley acreage also declined in 1997—to an estimated 6.8 million acres, the second-lowest planted acreage on record. The steepest decline was in North Dakota, the largest producing state. Barley plantings were down from March planting intentions, due partly to higher spring wheat prices, as well as to extreme weather conditions this past winter and spring, including below-normal temperatures and flooding.

Durum and other spring wheat acreage for 1997 was down 5 percent from last year's very high level to 21.9 million acres, with North Dakota showing the largest decline for both crops. North Dakota is usually the largest producer of durum and other spring wheat in the U.S. Although flooding in that state in the early part of this year raised fears of planting delays, extremely dry conditions since May have returned crop planting progress to normal. But with higher relative returns for oilseeds expected in 1997, some North Dakota farmers have shifted away from barley, spring wheat, and durum to soybeans and sunflowers.

Rice planted acreage is estimated at 3.07 million acres, 9 percent above 1996, in response to favorable prices. Five of the six major rice producing states showed increases. Texas was the exception as rice acreage continued its long-term downward trend in that state. Plantings in Texas this year were lower, in part because cold, wet weather delayed rice planting this spring. In contrast, a warm, dry spring in California contributed to early completion of plantings. Early-planted rice tends to have less insect, weed, and disease problems than later plantings.

World Commodity Market Outlook

	Year	Production[1]	Exports[2]	Consumption[1,3]	Carryover[1]
			Million tons		
Wheat	1996/97	583.0	113.2	578.0	109.7
	1997/98	586.8	109.5	576.4	120.1
Corn	1996/97	589.7	68.3	571.0	84.7
	1997/98	595.3	72.0	592.2	87.8
Barley	1996/97	153.7	15.8	148.9	23.7
	1997/98	150.0	15.4	152.9	20.8
Rice	1996/97	381.5	18.8	377.0	55.0
	1997/98	379.4	19.3	380.7	53.7
Oilseeds[4]	1996/97	257.2	46.2	216.5	16.6
	1997/98	275.3	49.1	222.9	22.4
Soybeans[4]	1996/97	131.7	35.5	135.5	13.1
	1997/98	146.7	37.4	140.8	19.1
Soybean meal[4]	1996/97	91.2	33.3	91.2	4.0
	1997/98	95.4	34.8	95.2	4.0
Soybean oil[4]	1996/97	20.4	5.7	20.4	2.4
	1997/98	21.6	5.9	21.5	2.5
			Million bales		
Cotton	1996/97	88.1	26.7	86.4	36.6
	1997/98	86.9	27.5	88.1	35.2

NA = Not available.
[1]Aggregate of local marketing years. [2]Wheat, July-June; coarse grains, October-September; cotton, August-July. Rice trade is for the second calendar year. All trade includes trade among countries of the former Soviet Union. All grain trade excludes intra-EU trade; oilseed and cotton trade include intra-EU trade. [3]Crush only for soybeans and oilseeds. [4]Brazil and Argentina adjusted to October-September.
Economic Research Service, USDA

Commodity Briefs

Area planted to *cotton* for 1997 is estimated at 14 million acres, 4 percent below last year and 500,000 acres less than the March *Prospective Plantings* report. The largest estimated reductions in cotton acreage occurred in Louisiana, Mississippi, and Tennessee, with the acreage going largely to soybeans. Above-normal precipitation and cool temperatures in the Delta region also discouraged planting. In Texas, the cotton acreage level is similar to 1996 as farmers overcame wet conditions in May to finish plantings on schedule by the end of June.

Although 1997 planted acreage of cotton is down slightly in Arizona and California, farmers finished planting well ahead of the 5-year average because of warm, dry spring conditions. In the Southeast, 1997 cotton acreage was reduced as several states increased soybean plantings with the expectation of higher relative returns; only Georgia showed higher planted cotton acreage.

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Livestock, Dairy & Poultry

Falling Grain Prices To Fuel Expansion In Meat Supply

Increased feed grain production this year is expected to lower 1998 feed costs from the previous 2 years. As grain and soybean meal prices decline, some parts of the meat complex will resume expansion in 1998. Poultry and pork producers, with short production cycles, are expected to be able to take advantage of feed cost savings to expand production in the upcoming year. Beef producers, on the other hand, with a production cycle of 7-10 years, will take initial steps toward a long-term herd rebuilding process.

Expectations of continuing relatively high hog prices and lower feed costs, as well as favorable returns over other variable expenses, are fueling an expected 8-percent increase in *pork* production in 1998, the largest since 1992. Before the current restructuring of the U.S. pork industry, such an optimistic scenario would likely have led to an even larger short-term increase in production, but the trend toward consolidation into fewer and larger operations may be tempering producers' expansion plans—the size of these operations requires a longer planning horizon. Increased public concern over waste management issues may also be constraining expansion plans.

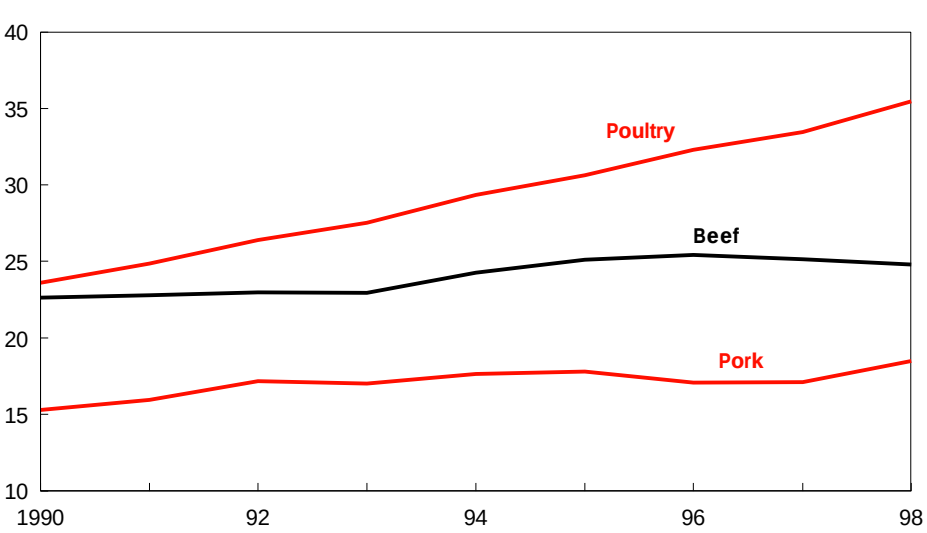
The downward price pressure that might be expected from this production increase will be largely offset by higher exports, declining beef supplies, and continued rising personal income. Hog prices in 1998 are expected to average in the low- to mid-$50's per cwt, $2-$3 lower than this year's projected price. Retail pork prices in 1998 are expected to be about unchanged from this year, as farm-to-retail spreads remain wide. In addition, the all-fresh beef price is expected to rise relative to the composite retail pork price, which would benefit pork as an alternative to beef. Abundant poultry supplies, on the other hand, could pressure pork prices downward.

Feed costs considerably below a year ago will keep *broiler* returns positive. Lower beef supplies should provide an opportunity for increased domestic sales of chicken at prices little changed from 1997. Wholesale broiler prices are expected to average around 60 cents per pound in both 1997 and 1998.

Broiler production in 1998 is expected to increase 6-7 percent, the highest rate since 1994. Increases in the hatchery supply flock appear ready to support this growth. The pullet chick hatch for the broiler hatchery supply flock was 7 percent above last year in first-quarter 1997, following 1-percent annual increases in both 1995 and 1996.

Table-egg production is expected to increase 2-3 percent in 1998 as lower feed costs keep egg production profitable. Strong net returns to egg producers over the last year have encouraged increased production. Placements for the layer hatchery supply flock are down in first-half 1997, however, indicating production expansion plans could be more conservative in the future.

Pork and Poultry Production to Rise, While Beef Drops Slightly



1996 preliminary; 1997, 1998 forecasts.
Economic Research Service, USDA

U.S. Livestock and Poultry Products—Market Outlook

		Beginning stocks	Production	Imports	Total supply	Exports	Ending stocks	Consumption Total	Consumption Per capita	Primary market price
		Million lbs.							*Lbs.*	*$/cwt*
Beef	1997	377	25,243	2,376	27,996	1,915	375	25,706	66.7	66-68
	1998	375	24,906	2,400	27,721	2,140	350	25,231	64.8	70-76
Pork	1997	366	17,151	593	18,110	1,250	400	16,460	47.7	55-56
	1998	400	18,507	605	19,512	1,465	380	17,667	50.7	51-55
										c/lb.
Broilers*	1997	641	27,300	4	27,945	4,580	700	22,666	73.5	59-61
	1998	700	28,953	3	29,656	4,750	750	24,156	77.6	57-62
Turkeys	1997	328	5,370	1	5,699	535	350	4,814	18.0	66-68
	1998	350	5,656	1	6,007	565	325	5,116	18.9	62-67
		Million doz.							*No.*	*c/doz.*
Eggs**	1997	8.5	6,511.8	4.9	6,525.2	264.7	12.0	5,366.2	240.3	79-81
	1998	12.0	6,680.0	4.0	6,696.0	259.0	10.0	5,487.0	243.5	72-78

Based on July 11, 1997 *World Agricultural Supply and Demand Estimates.*
*Cold storage stocks previously classified as "other chicken" are now included with broiler stocks. **Total consumption does not include eggs used for hatching.
See tables 10 and 11 for complete definition of terms.

Economic Research Service, USDA

Turkey production is expected to increase about 5 percent in 1998 as positive net returns during fourth-quarter 1997 and lower feed costs encourage producers to raise more birds. Strong export demand should help turkey prices average 66-69 cents per pound in 1997. Prices will likely average lower in 1998 as production rises.

Expectations for *beef* production, unlike pork and poultry production, are for continued declines over the next couple of years, particularly for processing beef, as cow slaughter declines during the herd rebuilding phase of the cattle cycle. The cow herd was culled heavily during the last few years as the previous cattle cycle ended. The remaining cow herd will be in strong demand for rebuilding over the next couple of years. For the year, cow slaughter is likely to decline 13-15 percent, and another 10-12 percent in 1998. The reduced cow numbers and weather extremes—the Northern Plains' harsh winter and the Southwest's drought last summer—will produce a smaller calf crop in 1997, and possibly in 1998.

Beef prices are expected to rise later this fall and throughout 1998, as supplies are reduced and export demand strengthens. Retail Choice beef prices are expected to average $2.84 per pound this year and reach near $2.90 a pound by late fall. Prices in 1998 are likely to average in the low $2.90's, near the record 1993 average of $2.93 a pound. However, the higher price of beef relative to other meats, and expected increases in pork and broiler production, will hold down further price gains.

Milk production is expected to grow slowly during the rest of 1997 and 1998. The slower decline in milk cow numbers and a recovery in increases in milk output per cow following several years of low or no increases is expected to lead to increased milk supplies. Delayed effects of record 1996 milk prices and expected late-1997 recovery from price declines earlier this year should spur renewed expansion by some producers, while the number of producers leaving the industry may ease slightly.

Unlike other sectors of the livestock complex, dairy farmers are facing high prices and tight supplies of feed, particularly dairy-quality forage, that may substantially limit growth in milk production.

Supplies of dairy-quality hay from the 1996 crop were tight, leading to record prices during the winter and spring of 1997. May 1 hay stocks were at a record low. Forage problems, in addition to precipitating a reduction in net returns to dairy farmers, have discouraged individual herd expansion and have limited growth in milk per cow. Normal substitutions of concentrate feed to mitigate forage problems have not been profitable because of high prices of concentrates.

Cool spring weather in many areas both delayed and reduced the first cutting of hay. Unless later cuttings are at least average and the silage crop is good, forage problems may eliminate the expected increase in milk production during the rest of 1997 and much of 1998.

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Specialty Crops

Exports Bolster Sweet Cherry Prices

Favorable growing conditions in most U.S. sweet cherry producing regions this year are expected to boost output and ensure high quality for the 1997 crop. For the last 2 years, rainy weather had made cherries extremely vulnerable to skin cracking and fruit splitting, reducing quality and output. USDA forecasts this year's U.S. sweet cherry production to increase 24 percent from 1996 to 382.5 million pounds. Production increases are anticipated in all sweet cherry growing states, with significant gains in California, Washington, and Oregon—where about 85 percent of U.S. sweet cherries are produced.

Tart cherry production, on the other hand, is expected to decline 10 percent to 242.2 million pounds. Cold spring weather damaged the crop in the major growing states of Michigan, Utah, Washington, Oregon, New York, and Pennsylvania. Tart cherry production tends to be unpredictable, alternating between "gluts" and "shortages" that make prices unstable and producer revenue highly variable. The unstable market prompted the establishment of a Federal marketing order for tart cherries beginning with this season's production.

USDA's National Agricultural Statistics Service surveys sweet cherry production in nine states and tart cherry production in eight states. In 1997, 44 percent of the U.S. sweet cherry crop is expected to be produced in Washington, 23 percent in Oregon, 18 percent in California, 13 percent in Michigan, and the remaining 2 percent in Idaho, Montana, New York, Pennsylvania, and Utah. Michigan ranks first in tart cherry production, supplying nearly three-quarters of the nation's output last year. New York, Utah, and Washington follow with 6 percent each, and Colorado, Oregon, Pennsylvania, and Wisconsin account for the remainder.

About half of the U.S. sweet cherry crop is marketed for fresh use, while almost all tart cherries are processed. Washington and California supply mainly dark, sweet Bing cherries for fresh use, while Oregon and Michigan provide light-colored Royal Ann (Napoleon) cherries for the maraschino process. Nearly 70 percent of processed sweet cherries produced domestically are brined and used in candies, ice cream, and fruit cakes, for example. The rest are canned, frozen, or processed into juice. Nearly two-thirds of the volume of processed tart cherries is frozen, and about one-third canned. Small quantities are also brined or processed into juice and wine.

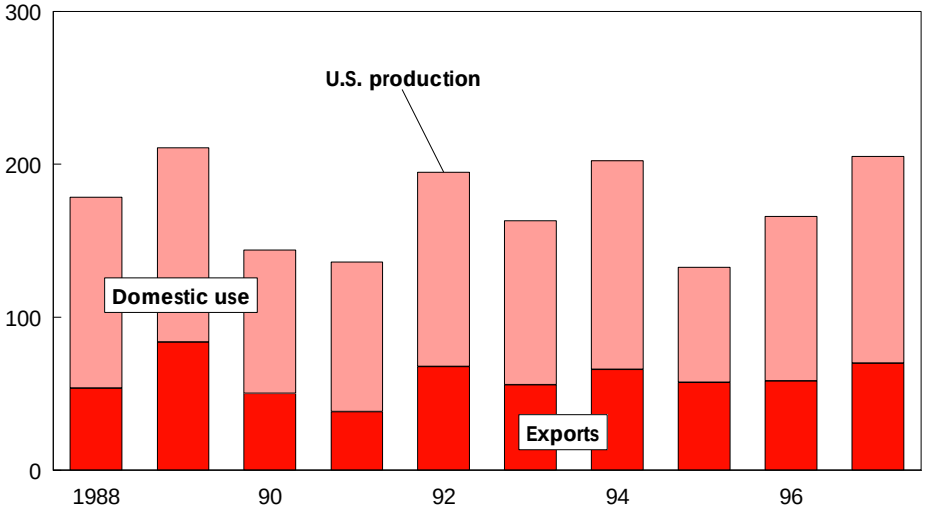
While all sweet cherry producing states market their product domestically, the state of Washington typically accounts for the bulk of export supplies. Cherries are marketed during the months of April through August, with the heaviest shipments during June and July. Early-season varieties are supplied by California, and northwestern states follow in the summer months. Tart cherry harvesting begins in early July in most areas and extends into August, with active harvesting lasting about 2 weeks in each area.

On average, Americans consume less than 1.5 pounds of fresh and processed cherries per year, and consumption, especially of fresh cherries, varies widely from year to year. Fresh consumption is largely tied to the size of the domestic crop, export demand, and prices. Since 1987, per capita consumption of fresh sweet cherries has ranged from a high of 0.7 pounds in 1987 to a low of 0.3 pounds in 1995. This year's larger sweet cherry crop could help boost domestic consumption again, as there should be adequate high-quality supplies for domestic and export markets.

Tart cherry consumption is more stable, as most are consumed in processed form, allowing for longer storage than fresh product. Americans typically consume about three-quarters of a pound per person of tart cherries each year, most in frozen product.

Grower prices for fresh sweet cherries are likely to average slightly lower than last year's $1.06-per-pound average, given the larger crop. However, the high quality of the crop and continued strong demand, especially from overseas markets, are expected to keep prices strong. The season-average grower price for sweet cherries reached a record $1.12 per pound in 1995, over one and a half times the 1994 level, as fresh use supplies, which have the highest value, decreased with a decline in overall output and larger export volume to Japan. Prices in 1996 held strong but averaged lower than the 1995 record because of an increase in fresh-use supply and overall lower quality of the crop.

Over a Third of U.S. Fresh Sweet Cherry Output Is Exported



1997 forecast.

Economic Research Service, USDA

The higher grower prices of recent years have reflected rising export demand for sweet cherries. Between 1990 and 1996, the U.S. exported about 35 percent of its fresh-use supply, compared with 25 percent in 1985-89 and 14 percent in 1980-84. Japan is the largest market for U.S. fresh sweet cherries, importing an average of 56 percent of U.S. export volume over the last 3 years. Canada, the European Union, Taiwan, and Hong Kong are also important export markets for fresh cherries. During January-May 1997, sweet cherry exports were up 27 percent from the same time a year ago.

The recent opening of two significant markets could help keep export demand strong. In June of this year, Washington State growers sent the first-ever shipment of U.S. fresh cherries directly to China. This followed China's agreement in April 1995 to grant access to U.S. cherries, with the trade protocol finalized in June 1997. Washington is currently the only cherry producing state which has been allowed access to Chinese markets, but Idaho and Oregon may soon follow.

The quantities shipped to China are likely to be small at first, as the market for cherries develops. China does not produce cherries domestically, so many consumers will be unfamiliar with the product. High tariffs imposed by the Chinese government could be another barrier to entry of large quantities. Despite these obstacles, the cherry industry has a potentially large new market for its product.

Mexico could become another important market for the U.S. sweet cherry industry. On February 27, 1997, an agreement was signed allowing unfumigated U.S. sweet cherry exports from Washington, Oregon, and California to enter Mexico. Cherry exports to Mexico had virtually ended in 1991, when Mexican plant and health officials determined that U.S. cherries posed a risk of introducing pests, such as the apple maggot and plum curculio, into Mexican orchards. All imported cherries had to be fumigated with methyl bromide, which causes the fruit to deteriorate rapidly and makes it virtually unmarketable.

In 1995, the North American Free Trade Agreement's agricultural dispute panel decided that unfumigated U.S. cherries posed no danger to Mexico. Under the new work plan, Sanidad Vegetal—Mexico's equivalent of USDA's Animal and Plant Health Inspection Service (APHIS)— conducted a pre-season inspection of cherry orchards to assure that the agreed-upon systems approach to regulating pests is adequate. APHIS conducted the inspections for the remainder of the season.

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Federal Marketing Order for Tart Cherries To Begin in 1997

Starting this year, production and marketing of tart cherries in the U.S. will be covered under the terms of a Federal marketing order (*Federal Register* 61:186). Unpredictable crop sizes and inelastic demand for the product have translated into wide price swings. The idea behind the marketing order is to control the supply of tart cherries on the market, accomplished primarily through an inventory reserve system—overproduction of processed cherries in one year is stored and used during years of underproduction.

If supply is successfully controlled, price swings will be moderated and the market will gain a measure of stability. Stability in the tart cherry market is considered necessary to guarantee the survival of a large number of the industry's small producers and handlers.

The Cherry Industry Administrative Board consists of 17 growers and handlers and one public member elected by the marketing board. The marketing board will review actual production and set marketing and reserve tonnages no later than September 15 of each year. Additional considerations may include the quality of the crop, likely export demand, supplies of competing commodities, and the estimated tonnage already held in reserve. If the marketing board determines that reserve tonnage needs to be released, the release must take place prior to November 1 of the same year.

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